FISCAL NOTE

HB 959 - SB 1833

March 17, 2005

SUMMARY OF BILL: Establishes two three-day tax holidays on purchases of clothing and school supplies in July and August of each year. Requires retailers to report exempt sales to the Department of Revenue (DOR). Requires the DOR to reimburse the municipalities for state-shared sales tax and local sales tax lost due to tax holiday. Requires that funds used to reimburse municipalities be allocated from the General Fund. Eliminates sales tax exemption on the sales of newspapers.

ESTIMATED FISCAL IMPACT:

Increase State Revenues – Net Impact - $1,370,000
Increase State Expenditures - $4,250,000 Recurring
$74,000 One-Time

Increase Local Govt. Revenues – Net Impact - $4,758,000

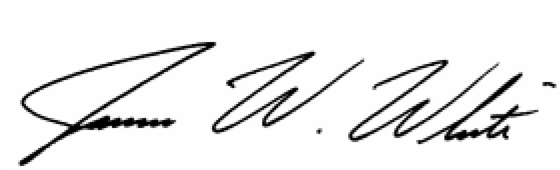
Assumptions:

- Tax base on clothing and school supplies for July and August of 2004 averaged $15.0 million per day.
- 5% annual growth to July and August of 2005.
- Estimated one-day tax base for 2005 is $15.75 million.
- Estimated tax base for two three-day tax holidays is estimated at $94.5 million ($15.75 million X 6 days = $94.5 million).
- Other states that have adopted tax holidays have reported 200% increased consumption for days tax holiday is in effect.
- Adjusted six day tax base is $189.0 million ($94.5 million X 200% = $189.0 million).
- Decrease in state revenues as a result of the two tax holidays is estimated to exceed $13.23 million ($189.0 million X 7% state rate = $13.23 million).
- Increase in state expenditures of approximately $4.25 million to reimburse local governments for loss of tax revenue resulting from tax holiday ($189.0 million X 2.25% local option rate = $4,252,500).

- No impact to local governments resulting from tax holiday due to hold harmless clause.
- Annual tax base on newspaper sales is estimated at $208.5 million.
- Increase in state revenues as a result of eliminating tax exemption on the sale of newspapers is estimated at $14.6 million ($208.5 million X 7% state rate = $14,595,000).
- Increase to local government revenues as a result of eliminating tax exemption on the sale of newspapers is estimated at $4.7 million ($208.5 million X 2.25% local option rate = $4,691,250).
- Net impact to state revenues is estimated as an increase of approximately $1.37 million ($14.6 million gain from newspapers - $13.23 million from tax holiday = $1.37 million).
- Incremental state-shared revenue to local governments estimated at $58,000 based on additional sales tax revenue to state.
- Net impact to local government revenues is estimated as an increase of approximately $4.758 million ($4.7 million from newspapers + $58,000 state-shared taxes = $4,758,000).
- One-time expenditures estimated at $74,000 for computer programming and software modifications.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director